



**Press Release**  
**SWASTIK CONSTRUCTIONS**  
**March 25, 2025**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB-   Stable   Upgraded	-
Bank Loan Ratings	30.00	-	ACUITE A3   Upgraded
Total Outstanding Quantum (Rs. Cr)	40.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has upgraded the long-term rating to ‘ACUITE BBB-’ (read as ACUITE triple B minus) from ‘ACUITE BB+’ (read as ACUITE double B plus) and the short-term rating to ‘ACUITE A3’ (read as ACUITE A three) from ‘ACUITE A4+’ (read as ACUITE A four plus) on the Rs. 40.00 crore bank facilities of Swastik Constructions. The outlook is 'Stable.'

**Rationale for Upgrade**

The rating upgrade and migration from 'Issuer not co-operating' is supported by strong revenue growth, efficient working capital operations and moderate financial risk profile of the firm. Further, the revenue is expected to improve in the medium term supported by a healthy orderbook position of Rs.1,498.71 Cr. as on February 28, 2025. The rating also considers the extensive experience of the management of more than two decades in the industry. However, the rating is constrained on account of the significant geographical concentration, tender based nature of operations, presence in a highly competitive industry and risk of withdrawals in a partnership firm.

**About the Company**

Maharashtra based Swastik Constructions (SC) was established as a partnership firm in 2004. The firm specializes in water management infrastructure development, is engaged in the process of designing, installation, civil constructions, commissioning and operation & maintenance services under water supply schemes, lift irrigation schemes, waste water treatment and distribution. The current partners of the firm are Mr. Hemant Shah, Ms. Anita Shah and Mr. Parth Shah.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of SC to arrive at this rating.

## **Key Rating Drivers**

### **Strengths**

#### **Established track record of operations and experienced management**

SC has an operational track record of nearly two decades. The firm is promoted by Mr. Hemant Shah, who has an

extensive experience spanning over two decades in the water and irrigation contracting segment. He is supported by his wife, Mrs. Anita Shah and his son, Mr. Parth Shah. The extensive experience of the management has helped SC in maintaining a stable order flow from key government organisations like Karnataka Irrigation Development Corporation (KIDC), Nagpur Municipal Corporation (NMC), City and Industrial Development Corporation of Maharashtra (CIDCO), Public Works Department (PWD) of Maharashtra & Karnataka. Acuité believes that SC will continue to benefit from its experienced management and established track record of operations.

### **Strong revenue growth and stable operating margins to be supported by a healthy orderbook**

The revenue of the firm increased to Rs. 252.23 Cr. in FY2024 as against Rs. 174.40 Cr. in FY2023 with y-o-y growth of ~45 percent. Further, as on February 28, 2025 the firm has an order book of Rs. 1,498.71 Cr. which provides healthy revenue visibility over the medium term. Further, while the operating margins of SC have remained in the range of 8 -9 percent, however, in FY2024, the EBITDA margin stood significantly declined at 6.52 percent as against 8.59 percent in FY2023. This decline was majorly due to a one-time expense of Rs 8.20 Cr. towards electoral bonds. Going forward, the margins are expected to reinstate to previous year levels. The PAT margin also stood declined at 4.42 percent in FY2024 as against 6.87 percent in FY2023 due to increase in the depreciation and finance costs of SC.

In the current financial year, SC has generated a revenue of Rs. 277.94 Cr. till March 12, 2025 and aims to achieve a total revenue of over Rs. 320 Cr.

Going forward, improvement in the profitability margins while maintaining revenue growth will be a key monitorable.

### **Moderate financial risk profile**

The financial risk profile of SC is supported by moderate network, low gearing and comfortable debt protection metrics. The network of SC stood improved at Rs. 42.34 Cr. on March 31, 2024 as against Rs.26.82 Cr. on March 31, 2023, which led to decline in the TOL/TNW levels that stood at 1.79 times on March 31, 2024 from 1.92 times on March 31, 2023. The gearing also stood below unity at 0.31 times on March 31, 2024 as against 0.36 times on March 31, 2023 despite increase in the debt levels. The Debt-EBITDA levels however stood marginally increased at 0.79 times on March 31, 2024 as against 0.64 times on March 31, 2023 because of reduction in absolute EBITDA levels.

The Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) significantly declined due to increased debt levels and increased repayment obligations, however, stood comfortable at 6.21 times and 3.14 times respectively in FY2024 as against 13.78 times and 12.85 times on respectively in FY2023.

While the firm plans to raise debt of Rs. 8 - 10 Cr. for capex in the medium term, Acuite expects the financial risk profile to remain comfortable on the back of improving cash accruals.

### **Efficient working capital operations**

The efficient working capital operations of SC is marked by low Gross Current Asset (GCA) of 39 days on March 31, 2024 as against 47 days on March 31, 2023. The improvement in the receivables period which stood at 7 days on March 31, 2024 as against 16 days on March 31, 2023 has led to the overall improvement in GCA days. However, the low debtor days as seen on March 31, 2024 is only a year end phenomenon, as the government departments clear their dues towards the year end. The creditor days stood at 154 days on March 31, 2024 as against 78 days on March 31, 2023. The average utilization stood at 67.90 percent for the last six months ended February 2025.

Going forward, maintaining an efficient working capital cycle will be key rating sensitivity.

## **Weaknesses**

### **Geographical concentration in revenue profile**

SC majorly executes work orders in the state of Maharashtra and Karnataka with more than 90 percent of the revenue being derived through execution of projects in the state of Maharashtra. Moreover, it has also executed a few orders in the state of Uttarakhand and has plans to expand its market reach towards Himachal Pradesh and the North Eastern states.

Acuité believes that the ability of SC to diversify its revenue profile will remain key monitorable over the medium term.

### **Inherent risk of capital withdrawal by partners**

The firm is susceptible to the inherent risk of capital withdrawal given its constitution. Any significant withdrawal of the partner's capital will have a negative bearing on the financial risk profile of the firm.

### **Tender based nature of operations and competitive industry**

SC is engaged in bidding for tenders in the water and irrigation contracts segment marked by the presence of several mid- to large-sized players; hence, the firm faces intense competition from other players in the sector. The risk becomes more pronounced as tendering is based on a minimum amount of bidding for contracts. The firm

acquires tenders at competitive prices, which may affect its profitability. There are uncertainties attached to the allotment of tenders. However, the risk is mitigated to some extent, given the partner's experience of more than two decades in the industry, which has enabled the firm to procure tenders on a regular basis.

### **Rating Sensitivities**

- Healthy order book growth supporting the continued improvement in revenue at stable margins
- Maintaining efficient working capital cycle
- Comfortable financial risk and liquidity profile
- Diversification of the geographical concentration in the revenue.

### **Liquidity Position Adequate**

The adequate liquidity position of SC is supported through generation of Net Cash Accruals (NCAs) of Rs. 14.05 Cr. against maturing repayment obligations of Rs. 2.64 Cr. in FY2024. Further, the NCAs are expected to remain in the range of Rs. 24 – 30 Cr. against maturing repayments in the range of Rs. 2 – 1.5 Cr. for FY2025 – FY2026. The current ratio stood at 1.25 times on March 31, 2024. The firm also had an unencumbered cash and bank balance of Rs. 0.22 Cr. on March 31, 2024. Further, The average bank limit utilization for the firm stood moderate at 67.90 percent for fund based limits and 53.07 percent for non-fund based limits for the last six months ended February 2025.

### **Outlook: Stable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	252.23	174.40
PAT	Rs. Cr.	11.15	11.97
PAT Margin	(%)	4.42	6.87
Total Debt/Tangible Net Worth	Times	0.31	0.36
PBDIT/Interest	Times	6.21	13.78

**Status of non-cooperation with previous CRA (if applicable)**

Not Applicable

**Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)**

**Not applicable**

**Any other information**

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Dec 2024	Bank Guarantee/Letter of Guarantee	Short Term	9.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Secured Overdraft	Long Term	1.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB-   Stable)
	Secured Overdraft	Long Term	4.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB-   Stable)
	Secured Overdraft	Long Term	5.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB-   Stable)
18 Sep 2023	Bank Guarantee/Letter of Guarantee	Short Term	9.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A3 (Assigned)
	Secured Overdraft	Long Term	1.00	ACUITE BBB-   Stable (Reaffirmed)
	Secured Overdraft	Long Term	4.00	ACUITE BBB-   Stable (Assigned)
	Secured Overdraft	Long Term	5.00	ACUITE BBB-   Stable (Assigned)
02 Jun 2023	Bank Guarantee/Letter of Guarantee	Short Term	9.00	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	1.00	ACUITE BBB-   Stable (Reaffirmed)
07 Mar 2022	Bank Guarantee/Letter of Guarantee	Short Term	9.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Secured Overdraft	Long Term	1.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.00	Simple	ACUITE A3   Upgraded ( from ACUITE A4+ )
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A3   Upgraded ( from ACUITE A4+ )
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE A3   Upgraded ( from ACUITE A4+ )
HDFC Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB+ )
Yes Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB+ )
HDFC Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB+ )

## Contacts

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### About Acuité Ratings & Research

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